12/1/50

R

120

DEPARTMENT OF STATE
BRIEFING PAPER

CONFIDENTIAL

Assistance to Egypt: Political Impact

From its inception in 1974, the AID program has had two basic purposes: to ensure that Anwar Sadat remained as the leader of a moderate, stable, Westward-oriented Egypt; to lay the ground work for the establishment of self-sustaining economic growth in an underdeveloped, crowded country.

It is obvious that unless the first objective is attained, the second becomes less significant, particularly in the short run. In fact, the size of the AID program has from the very beginning been a clear reflection of the importance of the political aspect of the entire undertaking. The growing dissatisfaction--particularly on the part of the Egyptians--with the results of our endeavors is related to a rather basic fact: we do not have an organization to undertake economic programs for significant political purposes.

What we do have is a group of competent, experienced, knowledgeable, and hard-working people employed in an over-regulated organization whose clear Congressional mandate is to focus on long-range economic development. As a result, only a relatively small proportion of our massive monetary assistance is focused on the short-run, and almost none of it reflects careful consideration of the political imperatives facing Sadat. PL 480 assistance, while sizeable, falls into a category of non-identifiable aid, along with most of what is provided under the commodity import program.

At no time has there been a conscious, coordinated effort to develop programs that would have a beneficial political impact and which are also economically sound and feasible. At both the local and national levels, Egyptians are complaining that there is virtually nothing that the people can be shown which demonstrates the wisdom and benefits of Sadat's policies, particularly his turn to the West. With the passage of time, as the internal economy continues to deteriorate, this has become a matter of constant and growing concern.

DECLASSIFIED

CONFIDENTIAL

GDS 12/05/86

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY [signature] DATE 6/7/83
RDS☐ or XDS☐ EXT. DATE
TS AUTH. REASON(S)
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED☒ RELEASABLE☒
RELEASE DENIED☐
PA or FOI EXEMPTIONS

DECLASSIFIED

I attach copies of two earlier efforts to suggest ways in which part of this problem might be overcome. They reflect one person's efforts to deal with a complicated and difficult issue and are therefore merely illustrative. The kinds of high visibility impact projects I have suggested are: rural electrification, irrigation pumps, river and land transport. If a decision were made today to undertake such programs, it would probably be two years before anything appeared on the ground in Egypt.

DECLASSIFIED

DECLASSIFIED

Assistance to Egypt: Political Impact

Drafted:NEA/EGY:EPeck
12/05/80 x22365

Cleared:NEA:PConstable

DECLASSIFIED

UNITED STATES GOVERNMENT

Memorandum

DECLASSIFIED

TO : E. Freeman Matthews, Jr.
Deputy Chief of Mission

DATE: October 26, 1976

FROM : Edward L. Peck, E/C

SUBJECT: Assistance to Egypt: Focus on Politics

What follows is in no way intended to be confrontational. In response to your request, an effort has been made to expound on an issue that may merit further attention. A somewhat partisan position has been taken, because the views are strongly held, but it is based on logical and considered thoughts and should not be viewed as an attack or a criticism: essentially, a question is being asked.

Everyone is agreed on the meaning and intent of the word "political" as used in its broadest sense. Describe the rationale underlying our assistance efforts, and everyone is working hard and competently to implement them in recognition of both the importance and the urgency of supporting Sadat. The problem revealed in earlier discussions may be the result of a semantic difference: the overall political aspects are fully appreciated but they are not focused sufficiently on the one area that really counts — politics inside Egypt.

Sadat is in trouble, across the board trouble that results to a large degree from his turn to the West in all its related facets. He has taken a calculated risk that "we" can get things moving before the crisis comes — if it comes. While no one can state with certainty that a crisis is indeed in the offing (although it looks like it), and certainly not when it might come (although it seems near) a significant portion of our overall program should be devoted to providing Sadat with the specific means to at least postpone one, and hopefully negate it. It is over this part of the political function of our aid that the current question is being raised: Is our aid helping Sadat prove to the people of Egypt the rightness and wisdom of his policy? To some of us, the answer appears to be a reluctant no.

This judgement results not from a criticism of AID and its overworked staff, they are doing a highly commendable job under very difficult circumstances, nor does it result primarily from concern over the speed with which the work is being done. It reflects instead a belief that we are not doing the right things.

DECLASSIFIED

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

DECLASSIFIED

Thus utilization rates are not really at issue, since with very few exceptions (perhaps two) none of the programs/projects will contribute meaningfully to Sadat's tenure in the short run, since they are either unidentifiable (e.g., callow), relatively insignificant (tinplate), or too far off in time (Suez cement).

This is not to dismiss the major overall contribution made by the U.S. and its economic assistance, without which Sadat would be in a far worse situation. The size and extent of our help has been instrumental in keeping Egypt afloat (or at least awash) economically and Sadat in power politically until now, and should certainly be of greater significance as the machine begins to move in the next few years. It is in the "now" timeframe, however, that we find Egypt virtually without evidence of our commitment, raising concern in some quarters that a Sadat-like Government can survive until those "next few years" are here.

The real crux of the problem is the knowledge that even if a decision were made today to shift attention to the type of activity described below, it would be many months before the first results appeared on the scene. As it is, with very little indication that the nature of this issue is yet perceived — let alone understood — in Washington, there is a possibility that we may be on the verge of making a miscalculation with potentially serious results.

According to this thesis, we should be devoting a larger share of our economic assistance to programs having a greater domestic political impact. Something visible, something with a high PR value, something needed or wanted by a significant portion of the population (either personally or in terms of the country's benefit), something the people can be shown — or told about — as an indication that things are going to get better because of Sadat's policies. These might be called political motion programs, since that is their purpose, but should not be confused with the razzle-dazzle efforts of a bygone era. They should be solid, economically-oriented programs, fully acceptable to Congress and the American public, but with close attention to and heavy emphasis on the one purpose of the entire undertaking: keeping Sadat in power.

The effort could be made either under the CIP, which would be the fastest and easiest (and therefore the best) or as a project. Given the nature of our AID program, particularly its size, no major reallocation of resources is envisioned since there is a great deal of money with which to work. (Should it become necessary, however, a portion of project money could/should be shifted since whatever contribution a cement factory will make to attainment of our objectives is reduced to the extent it is intended to go into production in 1982.) It is of course this latter fact, the size

CONFIDENTIAL
DECLASSIFIED

of the program, which justifies the type of proposal put forth in this memo. If the U.S. had a straight economic development program in operation in Egypt, it would probably be something on the order of $150 million. (The initial AID/NEA proposal to the Secretary, in 1974, was for a $70 million program. For 1975, the Embassy proposed $300 million.) We should in theory have the difference--or at least a goodly share of it -- to work with for "political" purposes as defined in the preceding paragraph.

In sum, we should consider making every reasonable effort to give Sadat political support now, when he needs it and when his needs are of critical importance to our policies and objectives. Major capital projects do provide a better hope for the future, and the size of the program necessitates a certain proportion of major projects, but what is perhaps required is a better balance to our assistance programs than exists at present. AID is understandably concerned with the economic development of Egypt in the out-years, while of course sustaining the economy so the present regime or one like it will still be in charge when those years arrive, but awareness of the current and growing disenchantment with the thus-far less than impressive results of the turn to the West should occupy a greater share of our attention. Sadat needs something to show.

Like what? That is the question that is always posed when the issue is joined. The only response that can be given is a list of top-of-the-head suggestions of the type that follow, largely because Washington has as yet made no organized effort to study the question. There are experts aplenty who could probably do better, but so far they have not been charged with the task, leaving the field to well-intentioned novices.

1. Rural Electrification -- Egypt has for years been trying to bring electricity into all its villages, and has done fairly well. There are plans to spend many tens of millions of pounds to finish the task, but they are based on turbine generators, pylons, transformers and the rest, and will take years. The U.S. could supply two hundred diesel generators, with wire and bulbs, and do the job now, as an interim measure, for the same or a greater number of villages for about $10 million or less. The Egyptians know how to run generators, which are simple and long-lived, and they have the fuel. If desired the generators could power other pieces of equipment during the day: pumps (see below), bakeries, grinders, whatever, for even greater impact. The IBRD loan of $50 million for rural electricity is years from execution.

CONFIDENTIAL
DECLASSIFIED

CONFIDENTIAL
DECLASSIFIED

2. Irrigation Pumps - The man standing for hours in the canal working a shadouf up and down, or turning the handle of a tambour, is an all too common sight. Pumps, small ones, lots of them, could easily be supplied and put to work in no time. They could be gasoline/diesel or electric, depending on the circumstances. Arguments that water management is already a problem here are totally valid and totally beside the point of political impact pruposes. Given the massiveness of the water problem, especially in the Delta, the contribution made by several thousand small pumps would be minimal, and could be further reduced by limiting their distribution to the area south of Cairo.

3. River Transport - Given the visibility of the Nile and its canals throughout the country, anything we do in this field would have tremendous impact even over and above the evident economic benefits. Tow boats for felluca or barges, new barges - motorized or not, or even outboard motors and/or small boats, all could support what we are seeking to accomplish. (Waiting for completion of the IBRD Transportation Study is no reason whatever to postpone implementation of such a program if it has merits of its own. The study may be handed to someone other than Sadat.)

4. Land Transport - The utility of a large number of small, inexpensive automotive vehicles for use in rural and urban areas in place of expensive trucks and/or donkey carts is a possibility.

5. And so forth.

The fact that some or all of the above suggestions may not be feasible for one reason or another should not detract from consideration of the purpose for which they are put forward. Better ones may exist and should be sought. Perhaps a committee, here in Cairo, might be formed to discuss and propose.

DECLASSIFIED
CONFIDENTIAL

DECLASSIFIED

ASSISTANCE TO EGYPT

DEVELOPING THE WATERWAYS

I. BACKGROUND

In providing economic assistance to Egypt, the U.S. is essentially interested in accomplishing two basic objectives: supporting President Sadat and his policy of reasonable and rational approaches to solving domestic and regional problems; helping Egypt to develop economically. In general terms only, the first objective is best attained through provision of BOP support, while long-term project assistance is the best mechanism for the second. To some degree, given the political situation in the U.S. and the economic situation in Egypt, these two forms of assistance are mutually exclusive since there is a relative ceiling on total aid availabilities.

At the same time, in order for the first objective to be meaningful, both Sadat and the USG need some clearly visible and easily identifiable symbol of US support, so that the people of Egypt are aware the Americans are indeed helping. Wheat, tin plate, and other forms of imports do not fit these requirements, despite their contribution to the economy, and projects are non-visible (relatively) and distant in time. Buses and trucks, which are now in the process of being procured, will serve the purpose to a degree, but the former are intended for the cities and the latter will be just another group of trucks (as will the buses).

Presented below is the outline of an assistance project that is designed to fulfill a wide range of USG-GOE short-term political and economic objectives as well as long-term development objectives simultaneously. It would probably not involve a great deal of money, nor make a dramatic contribution to the economy, but is perhaps worthy of consideration because of the other benefits it could provide.

II. INTRODUCTION

Egypt is the Nile River, not a truism but a fact. It is the only thing that ties Egypt together and permits it to exist. It is almost everywhere in evidence, given the extensive canal network, and is one facet of life in Egypt to which the vast majority of the population is exposed on a daily basis. It thus provides the most meaningful platform on which to mount an economic assistance effort which can contribute to the public relations impact that is also needed. The river and its canals, totaling 2,600 kms of navigable waterways, reach virtually every corner of the country. This provides the basis for a relatively inexpensive and extremely economic transportation network, largely underutilized, which could play a significant role in the overall development of the economy.

DECLASSIFIED

DECLASSIFIED

III. THE PROJECT

The US should undertake a three-step program to increase the use of the existing waterways as a basic medium of transportation in Egypt. At the present time, the bulk of riverine commerce is carried in sail-powered wooden cargo boats, feluccas, although a portion of the traffic from Cairo northward is carried in antiquated motorized barges, a large number of which are reportedly tied up for repair at any given time.

The feluccas, slow and cumbersome, locally built, are generally privately owned, and employ a fair number of people. They are a normal sight all over Egypt, providing low-cost transport for bulk products, which are generally loaded and unloaded by manual labor. They also transport people, working as ferry boats at smaller crossings and up and down the river.

By placing a larger emphasis on less expensive water-borne transportation, Egypt would also be acting in a manner that would accomplish a number of other worthwhile objectives. The use of costly imported trucks could be reduced, or at least held to more reasonable levels, which would also benefit spare parts and petroleum products expenditures. Two other serious problems might be reduced: traffic congestion and the deterioration of the existing road network. Further, since movement by water is by far the most economical manner of moving many commodities, internal transportation costs would also be lessened for such goods throughout the country, affecting the GOE's own costs and, perhaps, the price of the commodities as well.

STEP I: In order to increase the speed with which goods move on the river, without disrupting the private enterprise nature of the present system or increasing unemployment, the US should finance the importation of tug boats. These would not have to be large, but there should be a fair number of them. They would provide scheduled towing service throughout Egypt for the feluccas, at a reasonable price. Since the feluccas have sails, they could move under their own power to and from pick-up/dispersal points, and would therefore retain their crews.

By providing the means for far more rapid movement, the tugs would permit the owners to make more trips in a given period, increasing their revenue and making possible the payment of a towing fee. The long-term nature of AID loans would also permit the GOE to defray the costs over time, keeping the cost of the service low. Additional work for stevedors should also result. This step would also consist of the establishment of two or three maintenance/repair facilities for the tugs, and the training of the people to operate them. At the same time, plans could be formulated for the manufacture of local inputs in the spare parts category.

The tugs themselves, which would be the first of their kind in Egypt, would be everywhere visible and highly distinctive.

DECLASSIFIED

Extra attention could be paid to making them observable, perhaps by using bright colors. Besides performing a very useful function, they would be tangible evidence to everyone that the US was indeed involved in helping Egypt, something that is not now evident to the people, and helping in a manner easily understood by all.

STEP II. While Step I is in process of implementation, the US would mo toward Step II. This would involve three separate actions:

A. development of Egyptian capacity to produce major components for tug boats: hulls, superstructures, etc., and perhaps engines as well. These could be for domestic use and --possibly--for export, e.g., Sudan.

B. establishment of Egyptian capacity to produce non-motorized cargo barges. More efficient cargo carriers than feluccas and easier to build, these barges would be designed to be sold on low-cost long-term bases to felucca owners and others as an additional income earner. They would be towed by the same tug boats, perhaps separately from feluccas since they would have no self-propulsion capacities and should permit even more effective and lower cost transportation by water with the passage of time.

C. construction, by Egyptian labor, of more, newer, and better riverside loading/unloading facilities, mostly docks, wharves and related storage areas, using indigenous materials for the most part. This would be the GOE's counter-part to the program. Consideration would also be given to the utility of developing more rapid means of loading/unloading, if this would not affect labor employment.

STEP III. While Step II is in process, the US would finance the establishment of a capability to produce motorized barges. These would hopefully utilize, to some degree, the other products manufactured under Steps I and II, but would be a new dimension in that they would not require tug boats. The latter would continue to provide their services to feluccas and non-motorized barges, which would remain in service for a considerable time. Motorized barges could also be sold to upward-mobile boat/barge owners on a long-term basis.

DECLASSIFIED

DECLASSIFIED

Overall implementation of the above project would clearly require several years. It would have immediate as well as developmental impact, however, and should provide opportunities for a number of additions, improvements and modifications to the original plan as it moves forward.

DECLASSIFIED

A/DCM:ELPeck:bvc